

Assembly Bill No. 203

Passed the Assembly September 1, 2005

Chief Clerk of the Assembly

Passed the Senate August 30, 2005

Secretary of the Senate

This bill was received by the Governor this _____ day
of _____, 2005, at _____ o'clock ____M.

Private Secretary of the Governor

CHAPTER _____

An act to amend Sections 19440.5, 19540, 19590, and 19602 of, and to add Sections 19411.1 and 19618.2 to, the Business and Professions Code, relating to horse racing.

LEGISLATIVE COUNSEL'S DIGEST

AB 203, Harman. Horse racing.

Existing law provides that the California Horse Racing Board shall have all powers necessary to carry out the purposes of the Horse Racing Law, such as adopting rules and regulations to protect the public, allocating dates for, and controlling horse racing and parimutuel wagering, and enforcing all rules and regulations.

This bill would make technical changes to the Horse Racing Law and would define the term “handle” to mean aggregate contributions to parimutuel pools.

Existing law prescribes the procedure by which the annual audit of the horsemen’s organization is to be conducted, as specified.

This bill would require a copy of the audit be provided to the Senate and Assembly Committees on Governmental Organization.

Existing law prohibits specified persons from the unauthorized payment, distribution, receipt, or solicitation of purses or other consideration to or for the benefit of horsemen, except as expressly provided.

This bill would exempt payment by a licensed quarter horse racing association in the southern zone, to horsemen participating in its race meeting, from this prohibition.

The people of the State of California do enact as follows:

SECTION 1 Section 19411.1 is added to the Business and Professions Code, to read:

19411.1. “Handle” means the aggregate contributions to parimutuel pools.

SEC. 2 Section 19440.5 of the Business and Professions Code is amended to read:

19440.5. An annual audit shall be conducted of the financial books and records of the horsemen's organizations, including any subsidiaries of the horsemen's organizations, by a nationally recognized accounting firm as follows:

(a) With respect to pension funds received by those organizations pursuant to Sections 19533, 19613, and 19613.1, the audit shall be conducted within 90 days of the close of the fund's business year. The audit shall cover the period of time since the last audit, and a copy thereof shall be filed with the board, and the Senate and Assembly Committees on Governmental Organization.

(b) With respect to administrative funds and welfare funds received pursuant to Sections 19533, 19606.5, 19613, and 19641, the audit shall be conducted within 90 days of the close of the fund's business year. The audit shall cover the period of time since the last audit, and a copy thereof shall be filed with the board, and the Senate and Assembly Committees on Governmental Organization.

(c) The horsemen's organizations shall bear the cost of the audit.

SEC. 3 Section 19540 of the Business and Professions Code is amended to read:

19540. In order to encourage and develop the racing of all horses in California, regardless of breed, whenever a fair conducts a program of horse races on which there is parimutuel wagering, the fair, so far as practicable, shall provide a program of racing that includes thoroughbred racing, quarter horse racing, Arabian racing, and Appaloosa racing, if a sufficient number of horses is available to provide competition in one or more races.

SEC. 4 Section 19590 of the Business and Professions Code, as amended by Section 7 of Chapter 198 of the Statutes of 2001, is amended to read:

19590. The board shall adopt rules governing, permitting, and regulating parimutuel wagering on horse races under the system known as the parimutuel method of wagering. Parimutuel wagering shall be conducted only by a person or persons licensed under this chapter to conduct a horse racing meeting, and only within the enclosure and on the dates for which horse racing has been authorized by the board. Wagering instructions concerning

funds held in an advance deposit wagering account shall be deemed to be issued within the licensee's enclosure.

This section shall remain in effect only until January 1, 2008, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2008, deletes or extends that date.

SEC. 5 Section 19602 of the Business and Professions Code is amended to read:

19602. (a) Notwithstanding any other provision of law, any racing association located in this state may authorize betting systems located outside of this state to accept wagers on a race or races conducted or disseminated by that association and may transmit live audiovisual signals of the race or races and their results to those betting systems, except that any authorization is subject to the consent of the host association and applicable federal laws, including, but not limited to, Chapter 57 (commencing with Section 3001) of Title 15 of the United States Code.

(b) (1) Except as provided in paragraph (2), any racing association described in subdivision (a), when it authorizes betting systems located outside of this state to accept wagers on a race, shall pay a license fee to the state in an amount equal to 8 percent of the total amount received by the association from the out-of-state betting system. In addition, with respect to thoroughbred racing only, 3 percent of the amount remaining after the payment of the license fee shall be deposited with the official registering agency pursuant to subdivision (a) of Section 19617.2, and shall thereafter be distributed in accordance with subdivisions (b), (c), and (d) of Section 19617.2. The remaining amount received by the association shall be distributed to the association that conducts the racing meeting and to horsemen participating in that racing meeting as follows: 50 percent to the association as commissions, and 50 percent to the horsemen as purses. All rents, costs, and fees shall be deducted pursuant to a contract between the association that conducts the racing meeting and the horsemen participating in the racing meeting. Notwithstanding any other provision of law, racing associations may form a partnership, joint venture, or any other affiliation in order to negotiate terms and conditions of agreements with out-of-state betting systems.

(2) A thoroughbred association that hosts the series of races known as the “Breeder’s Cup” shall not be required to pay to the state the license fees required pursuant to paragraph (1). Amounts received by the association from out-of-state betting systems as wagers on Breeder’s Cup races shall be distributed as follows: 50 percent as commissions to the association that conducts the racing meeting, and 50 percent as purses to the horsemen participating in the meeting.

(c) With the permission of the board, wagers accepted by betting systems located outside of this state may be, but are not required to be, included in the parimutuel pool of the association that conducts the racing meeting in this state. If the wagers accepted by betting systems located outside of this state are included in the parimutuel pool of the association that conducts the racing meeting in this state, the betting system located outside of this state shall, if permissible under applicable law, deduct from the total amount handled in each conventional and exotic parimutuel pool the same total percentages deducted pursuant to Article 9.5 (commencing with Section 19610) by the association that conducts the racing meeting in this state. If the laws of the jurisdiction in which the betting system is located do not permit the betting system to deduct the same percentages as are deducted by the association that conducts the racing meeting, the board may, nonetheless, permit the inclusion of those out-of-state wagers in the association’s parimutuel pool if the board determines it to be in the public interest of this state to do so.

(d) If wagers accepted by an association conducting a racing meeting within the state and wagers accepted by a betting system located outside of the state are combined in one parimutuel pool and the association and the betting system both deduct the same total percentages as set forth in subdivision (c), the breakage shall be allocated between the association and the betting system on the basis of a calculation for distribution approved by the board.

(e) If wagers accepted by an association conducting a racing meeting within the state are combined in one parimutuel pool with wagers accepted by a betting system located outside the state and the association and the betting system deduct different percentages from the amount handled in the parimutuel pool, the precise calculation and distribution of payments on winning

tickets and breakage between the association and the betting system shall be on the basis of a calculation for distribution approved by the board.

(f) Breakage allocated pursuant to this section to an association conducting a racing meeting within this state shall be distributed in the same manner as would be breakage arising from wagers at the association in the absence of a combined parimutuel pool. This section does not apply to the disposition of breakage allocated to the betting system located outside of the state.

(g) If wagers accepted by a betting system located outside of this state are included in the parimutuel pool of an association conducting a racing meeting in this state, funds in the parimutuel pool attributable to unclaimed tickets relating to wagers accepted by the association conducting a racing meeting within the state shall be distributed in the same manner as unclaimed tickets relating to wagers accepted by that association in the absence of a combined parimutuel pool. Funds in the parimutuel pool attributable to unclaimed tickets related to wagers accepted by the betting system located outside of this state shall be allocated to that betting system, and this section does not otherwise apply to the disposition of those funds at that location outside of the state.

SEC. 6. Section 19618.2 is added to the Business and Professions Code, to read:

19618.2. Subdivisions (a) and (b) of Section 19618 shall not apply to any payment by a licensed quarter horse racing association in the southern zone, to horsemen participating in its race meeting.

Approved _____, 2005

Governor